

**HAMPTON-DUMONT  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2005

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**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

(Before September, 2004 Election)

Harry Birdsell Jr.	President	2004
John Showalter	Vice President	2005
Teresa Peterson		2004
David Hannah		2005
Verla Pecha		2006
Kristin Wraage		2004
Ryan Winters		2006

(After September, 2004 Election)

John Showalter	President	2005
Teresa Peterson	Vice President	2007
Scott Sackville		2007
David Hannah		2005
Verla Pecha		2006
Kristin Wraage		2007
Ryan Winters		2006

**SCHOOL OFFICIALS**

Lee Morrison	Superintendent
Lisa Lewis	District Secretary/ Treasurer

## **Independent Auditor's Report**

To the Board of Education of the  
Hampton-Dumont Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Hampton-Dumont Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Hampton-Dumont Community School District as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated January 13, 2006 on our consideration of Hampton-Dumont Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hampton-Dumont Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

**BRUCE D. FRINK**  
**Certified Public Accountant**

January 13, 2006

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

Hampton-Dumont Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2005 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$8,603,717 in fiscal year 2004 to \$8,981,158 in fiscal year 2005, while General Fund expenditures decreased from \$8,570,199 in fiscal year 2004 to \$8,459,574 in fiscal year 2005.
- The increase in General Fund revenues was primarily attributable to increased Federal Grant activity. The decrease in expenditures was due to holding down discretionary costs.
- The district sold \$7,950,000 of general obligation bonds for the construction of a new middle school.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of Statement of Net Assets and a Statement of Activities. These provide information about the activities of Hampton-Dumont Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hampton-Dumont Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Hampton-Dumont Community School District acts solely as agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Hampton-Dumont Community School District**

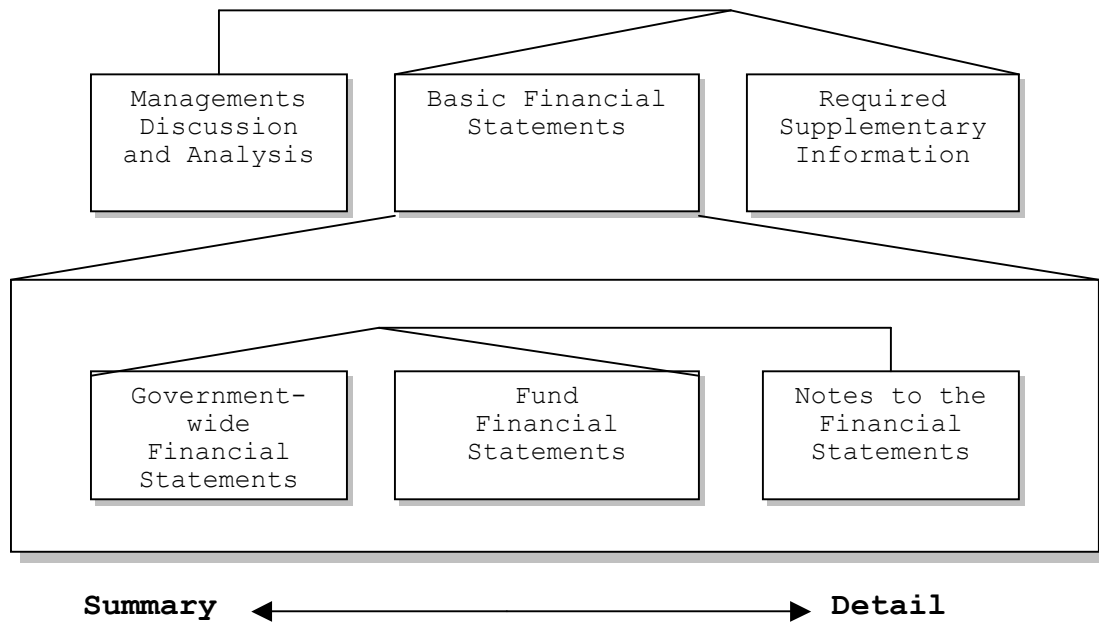


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2**

**Major Features of the Government-Wide and Fund Financial Statements**

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows	. Statement of fiduciary net assets . Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the Government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's program.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Fund.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.
- 3) *Fiduciary Funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations for specific purpose in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(expressed in thousands)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Percentage</b>
	<b>Activities</b>		<b>Activities</b>		<b>School District</b>		<b>Change</b>
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2004-2005</b>
	\$	\$	\$	\$	\$	\$	
Current assets	16,510	8,721	113	86	16,623	8,807	88.75%
Capital assets	4,621	3,886	17	19	4,638	3,905	18.77%
<b>Total assets</b>	<u>21,131</u>	<u>12,607</u>	<u>130</u>	<u>105</u>	<u>21,261</u>	<u>12,712</u>	<u>67.25%</u>
Current liabilities	7,620	7,701	-	-	7,620	7,701	-1.05%
Non-current liabilities	10,310	2,512	-	-	10,310	2,512	310.43%
<b>Total liabilities</b>	<u>17,930</u>	<u>10,213</u>	<u>-</u>	<u>-</u>	<u>17,930</u>	<u>10,213</u>	<u>75.56%</u>
Net Assets							
Invested in capital assets, net of related debt	2,182	1,458	17	19	2,199	1,477	48.88%
Restricted	884	1,313	-	-	884	1,313	-32.67%
Unrestricted	135	(377)	113	86	248	(291)	427.00%
<b>Total net assets</b>	<u>3,201</u>	<u>2,394</u>	<u>130</u>	<u>105</u>	<u>3,331</u>	<u>2,499</u>	<u>33.29%</u>

The District's combined net assets increased by over 33%, or approximately \$830,000 over the prior year. The District borrowed \$7,950,000 late in the year for the construction of a new middle school, thus the large increase in current assets and long-term debt. The largest part of the net asset increase occurred in the General Fund.

Unrestricted net assets - the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased approximately \$539,000. This increase in unrestricted net assets was a result of increased General Fund revenues combined with cuts in General Fund expenses.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

**Figure A-4**  
**Change in Net Assets**  
**(expressed in thousands)**

	Governmental Activities	Business-type Activities	Total School District
	\$	\$	\$
Revenues:			
Program revenues:			
Charges for service and sales	298	173	471
Operating grants, contributions and restricted interest	1,292	231	1,523
Capital grants, contributions and restricted interest	586	-	586
General revenues:			
Property tax	3,420	-	3,420
Income surtax	137	-	137
Local option sales tax	643	-	643
Unrestricted state grants	4,466	-	4,466
Unrestricted investment earnings	22	-	22
Other	79	-	79
Total revenues	10,943	404	11,347
Program expenses:			
Governmental activities:			
Instruction	5,880	-	5,880
Support Services	2,693	-	2,693
Non-instructional programs	-	378	378
Other expenses	1,562	-	1,562
Total expenses	10,135	378	10,513
Change in net assets	808	26	834

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 82% of the total expenses.

#### **Governmental Activities**

Revenues for governmental activities were \$10,943,361 and expenses were \$10,135,672.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b>		
<b>Total and Net Cost of Governmental Activities</b>		
<b>(expressed in thousands)</b>		
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>\$</b>	<b>\$</b>
Instruction	5,880	4,644
Support Services	2,693	2,691
Other expenditures	<u>1,562</u>	<u>624</u>
Totals	<u>10,135</u>	<u>7,959</u>

- The cost financed by users of the District's programs was \$297,584.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,005,961.
- The net cost of governmental activities was financed with \$3,419,334 in property and other taxes and \$4,465,692 in unrestricted state grants.

### **Business-Type Activities**

Revenues for business type activities were \$403,639 and expenses were \$378,004. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for food service, federal and state reimbursements and investment income.

During the year ended June 30, 2005, the District held meal prices steady.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Hampton-Dumont Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,201,588, a thirty four percent increase over last year's ending fund balances of \$2,393,899.

### **Governmental Fund Highlights**

- The District's improving General Fund financial position is the result of several factors. The District has carefully monitored discretionary spending to avoid decreases in fund balances.
- Franklin County instituted the 1% school infrastructure local option sales tax. The District started collecting these monies in March, 2004. These monies can be used for infrastructure projects and/or debt reduction.
- The District approved general obligation bonds to pay for a new middle school.

### **Proprietary Fund Highlights**

The School Nutrition Fund balance increased approximately \$25,000 during the fiscal year ending June 30, 2005. This was a result of good participation and careful monitoring of expenses.

## BUDGETARY HIGHLIGHTS

The District's receipts were \$543,000 higher than budgeted receipts. This variance resulted from the District receiving larger than expected miscellaneous revenue.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, the District had invested over \$4.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expenses for the year was \$199,931.

The original cost of the District's capital assets was \$7,544,740. Governmental funds account for \$7,502,039, with the remainder of \$42,701 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements progress category. The District spent over \$2,000,000 on improvements and additions to buildings and sites during the year.

**Figure A-6**  
**Condensed Statement of Net Assets**  
**(expressed in thousands)**

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
	\$	\$	\$	\$	\$	\$	
Land	96	97	-	-	96	97	-1.03%
Construction in progress	-	1,912	-	-	-	1,912	0.00%
Buildings	4,057	1,417	-	-	4,057	1,417	186.31%
Furniture and equipment	467	460	17	19	484	479	1.04%
Totals	<u>4,620</u>	<u>3,886</u>	<u>17</u>	<u>19</u>	<u>4,637</u>	<u>3,905</u>	<u>18.75%</u>

## Long-term Debt

The District issued \$7,950,000 of general obligation bonds during the current fiscal year.

The District has outstanding revenue bonds of \$2,050,000 for additions/renovations to the elementary buildings. Capital loan notes of \$355,000 remain outstanding and will be fully retired in fiscal year 2007.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(expressed in thousands)**

	<b>Total</b>		<b>Total</b>
	<b>District</b>		<b>Change</b>
	<b>June 30,</b>		<b>June 30,</b>
	<b>2005</b>	<b>2004</b>	<b>2004-2005</b>
	\$	\$	
Capital loan notes	255	375	-32.00%
Contract payable	2	3	-33.33%
General obligation bonds	7,950	-	100.00%
Revenue bonds	2,050	2,050	0.00%
Total	10,257	2,428	322.45%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

- The SILO tax was passed in 2003 and money began to be received by the District in March of 2004. These funds are being used for debt reduction resulting in property tax relief for the taxpayers.
- The District's health insurance costs continue to increase. Control of these costs is necessary to maintain a stable fund balance.
- Allowable growth of 4% is inadequate for the District to adequately maintain all of its educational programs, let alone expand offerings.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", "GASB 34", reduction in state aid for juvenile homes and the unfunded PSEO mandate to name a few.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Lewis, District Secretary/Treasurer, Hampton-Dumont Community School District, PO Box 336, Hampton, Iowa 50441.

## Basic Financial Statements

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	9,544,019	98,786	9,642,805
ISCAP investments	2,352,609	-	2,352,609
Receivables:			
Property tax:			
Current year	48,177	-	48,177
Succeeding year	4,191,900	-	4,191,900
Income surtax	67,221	-	67,221
Due from other governments	299,326	-	299,326
ISCAP accrued interest	7,101	-	7,101
Other receivables	434	-	434
Inventories	-	14,607	14,607
Capital assets, net of accumulated depreciation (note 3)	4,620,606	16,810	4,637,416
<b>Total assets</b>	<b>21,131,393</b>	<b>130,203</b>	<b>21,261,596</b>
<b>Liabilities</b>			
Accounts payable	152,207	-	152,207
Accrued salary and benefits	856,442	-	856,442
Accrued interest payable	40,695	-	40,695
ISCAP warrants payable	2,343,000	-	2,343,000
ISCAP accrued interest payable	35,411	-	35,411
Deferred revenue:			
Succeeding year property tax	4,191,900	-	4,191,900
Long term liabilities:			
Portion due within one year:			
Early retirement	37,225	-	37,225
Revenue bonds payable	130,000	-	130,000
Contract payable	876	-	876
Capital loan notes payable	125,000	-	125,000
General obligation bonds payable	165,000	-	165,000
Portion due after one year:			
Early retirement	16,158	-	16,158
Revenue bonds payable	1,920,000	-	1,920,000
Contract payable	891	-	891
Capital loan notes payable	130,000	-	130,000
General obligation bonds payable	7,785,000	-	7,785,000
<b>Total liabilities</b>	<b>17,929,805</b>	<b>-</b>	<b>17,929,805</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,182,265	16,810	2,199,075
Restricted for:			
Management levy	41,691	-	41,691
Capital projects	769,720	-	769,720
Physical plant and equipment levy	73,341	-	73,341
Unrestricted	134,571	113,393	247,964
<b>Total net assets</b>	<b>3,201,588</b>	<b>130,203</b>	<b>3,331,791</b>

See notes to financial statements.



## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

		Program Revenues				Governmental Activities	Business-Type Activities	Total
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest				
	Expenses							
	\$	\$	\$	\$	\$	\$	\$	\$
<b><u>Functions/Programs</u></b>								
Governmental activities:								
Instruction:								
Regular instruction	3,734,365	253,139	369,387	-	(3,111,839)	-	-	(3,111,839)
Special instruction	1,555,601	44,445	289,487	-	(1,221,669)	-	-	(1,221,669)
Other instruction	590,472	-	280,057	-	(310,415)	-	-	(310,415)
	<u>5,880,438</u>	<u>297,584</u>	<u>938,931</u>	<u>-</u>	<u>(4,643,923)</u>	<u>-</u>	<u>-</u>	<u>(4,643,923)</u>
Support services:								
Student services	231,504	-	-	-	(231,504)	-	-	(231,504)
Instructional staff services	537,013	-	-	-	(537,013)	-	-	(537,013)
Administration services	696,654	-	-	-	(696,654)	-	-	(696,654)
Operation and maintenance of plant services	818,084	-	1,538	-	(816,546)	-	-	(816,546)
Transportation services	409,911	-	-	-	(409,911)	-	-	(409,911)
	<u>2,693,166</u>	<u>-</u>	<u>1,538</u>	<u>-</u>	<u>(2,691,628)</u>	<u>-</u>	<u>-</u>	<u>(2,691,628)</u>
Other expenditures:								
Interest on long-term debt	90,403	-	1,000	-	(89,403)	-	-	(89,403)
Facilities acquisition and construction	979,983	-	-	586,300	(393,683)	-	-	(393,683)
AEA flowthrough	350,987	-	350,987	-	-	-	-	-
Depreciation (unallocated)*	140,695	-	-	-	(140,695)	-	-	(140,695)
	<u>1,562,068</u>	<u>-</u>	<u>351,987</u>	<u>586,300</u>	<u>(623,781)</u>	<u>-</u>	<u>-</u>	<u>(623,781)</u>
Total governmental activities	10,135,672	297,584	1,292,456	586,300	(7,959,332)	-	-	(7,959,332)

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

	Program Revenues				Governmental Activities	Business-Type Activities	Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest			
	\$	\$	\$	\$	\$	\$	\$
Business-Type activities:							
Non-instructional programs:							
Nutrition services	378,004	172,976	230,663	-	-	25,635	25,635
Total	10,513,676	470,560	1,523,119	586,300	(7,959,332)	25,635	(7,933,697)
General revenues:							
Property tax levied for:							
General purposes					3,035,564	-	3,035,564
Management fund					128,040	-	128,040
Capital outlay					255,730	-	255,730
Income surtax					136,969	-	136,969
Local option sales tax					643,117	-	643,117
Unrestricted state grants					4,465,692	-	4,465,692
Unrestricted investment earnings					22,257	-	22,257
Remaining basis on disposed fixed assets					(800)	-	(800)
Other					80,452	-	80,452
Total general revenue					8,767,021	-	8,767,021
Change in net assets					807,689	25,635	833,324
Net assets beginning of year, as restated (note 13)					2,393,899	104,568	2,498,467
Net assets end of year					3,201,588	130,203	3,331,791

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Balance Sheet

## Governmental Funds

June 30, 2005

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	1,003,157	-	8,338,571	202,291	9,544,019
ISCAP investments	2,352,609	-	-	-	2,352,609
Receivables:					
Property tax:					
Current year	43,035	-	-	5,142	48,177
Succeeding year	3,191,973	578,793	-	421,134	4,191,900
Income surtax	67,221	-	-	-	67,221
Due from other governments	49,751	-	249,575	-	299,326
ISCAP accrued interest	7,101	-	-	-	7,101
Other receivables	-	-	-	434	434
<b>Total assets</b>	<u>6,714,847</u>	<u>578,793</u>	<u>8,588,146</u>	<u>629,001</u>	<u>16,510,787</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	119,427	-	-	32,780	152,207
Accrued salary and benefits	856,442	-	-	-	856,442
ISCAP warrants payable	2,343,000	-	-	-	2,343,000
ISCAP accrued interest payable	35,411	-	-	-	35,411
Deferred revenue:					
Succeeding year property tax	3,191,973	578,793	-	421,134	4,191,900
Income surtax	67,221	-	-	-	67,221
Total liabilities	<u>6,613,474</u>	<u>578,793</u>	<u>-</u>	<u>453,914</u>	<u>7,646,181</u>
Fund balances:					
Reserved for capital projects	-	-	8,588,146	-	8,588,146
Unreserved fund balance	101,373	-	-	175,087	276,460
Total fund balances	<u>101,373</u>	<u>-</u>	<u>8,588,146</u>	<u>175,087</u>	<u>8,864,606</u>
<b>Total liabilities and fund balances</b>	<u>6,714,847</u>	<u>578,793</u>	<u>8,588,146</u>	<u>629,001</u>	<u>16,510,787</u>

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2005

<b>Total fund balances of governmental funds (Exhibit C)</b>			\$ 8,864,606
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>			
Income surtax receivable at June 30, 2005 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.			67,221
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			4,620,606
Accrued interest payable on long-term liabilities is not due and payable in the current period and , therefore, is not reported as a liability in the governmental funds.			(40,695)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.			
Early retirement payable	\$ (53,383)		
Revenue bonds payable	(2,050,000)		
Contract payable	(1,767)		
Capital loan notes payable	(255,000)		
General obligation bonds payable	(7,950,000)	(10,310,150)	
<b>Net assets of governmental activities (Exhibit A)</b>			<u>\$ 3,201,588</u>

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Fund Types

Year ended June 30, 2005

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	3,105,312	-	643,117	383,770	4,132,199
Tuition	249,601	-	-	-	249,601
Other	154,592	1,000	115,938	751,957	1,023,487
State sources	5,190,228	-	-	-	5,190,228
Federal sources	281,425	-	-	-	281,425
Total revenues	<u>8,981,158</u>	<u>1,000</u>	<u>759,055</u>	<u>1,135,727</u>	<u>10,876,940</u>
Expenditures:					
Instruction:					
Regular instruction	3,698,908	-	-	66,417	3,765,325
Special instruction	1,555,601	-	-	-	1,555,601
Other instruction	317,114	-	-	273,358	590,472
	<u>5,571,623</u>	<u>-</u>	<u>-</u>	<u>339,775</u>	<u>5,911,398</u>
Support services:					
Student services	231,504	-	-	-	231,504
Instructional staff services	537,013	-	-	-	537,013
Administration services	696,654	-	-	-	696,654
Operation and maintenance of plant services	707,146	-	-	110,938	818,084
Transportation services	364,647	-	-	61,254	425,901
	<u>2,536,964</u>	<u>-</u>	<u>-</u>	<u>172,192</u>	<u>2,709,156</u>
Other expenditures:					
Long-term debt:					
Principal	-	120,819	-	-	120,819
Interest	-	60,321	-	-	60,321
Facilities acquisition and construction	-	-	1,173,516	666,751	1,840,267
AEA flowthrough	350,987	-	-	-	350,987
	<u>350,987</u>	<u>181,140</u>	<u>1,173,516</u>	<u>666,751</u>	<u>2,372,394</u>
Total expenditures	<u>8,459,574</u>	<u>181,140</u>	<u>1,173,516</u>	<u>1,178,718</u>	<u>10,992,948</u>
Excess (deficiency) of revenues over (under) expenditures	<u>521,584</u>	<u>(180,140)</u>	<u>(414,461)</u>	<u>(42,991)</u>	<u>(116,008)</u>

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2005

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
GO bond proceeds	-	-	7,950,000	-	7,950,000
Operating transfers in	-	180,140	-	-	180,140
Operating transfers out	-	-	(42,450)	(137,690)	(180,140)
	-	180,140	7,907,550	(137,690)	7,950,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	521,584	-	7,493,089	(180,681)	7,833,992
Fund balances beginning of year	(420,211)	-	1,095,057	355,768	1,030,614
Fund balances end of year	101,373	-	8,588,146	175,087	8,864,606

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2005

**Net change in fund balances - total governmental funds (Exhibit E)** \$ 7,833,992

**Amounts reported for governmental activities in the statement of  
activities are different because:**

Income surtax receivable at June 30, 2005 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities. 67,221

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 931,999	
Depreciation expense	<u>(196,420)</u>	735,579

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (30,082)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. Current year issues exceed repayments, as follows:

Issued	(7,950,000)	
Repaid	<u>120,819</u>	(7,829,181)

Remaining basis on disposed fixed assets (800)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		<u>30,960</u>
------------------	--	---------------

**Change in net assets of governmental activities (Exhibit B)** \$ 807,689

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenses and Changes in Net Assets

## Proprietary Fund

Year ended June 30, 2005

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>172,976</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	142,292
Benefits	19,138
Services	3,356
Supplies	209,707
Depreciation	<u>3,511</u>
Total operating expenses	<u>378,004</u>
Operating (loss)	<u>(205,028)</u>
Non-operating revenues:	
Interest on investments	763
State sources	6,964
Federal sources	<u>222,936</u>
	<u>230,663</u>
Change in net assets	25,635
Net assets beginning of year	<u>104,568</u>
Net assets end of year	<u><u>130,203</u></u>

See notes to financial statements.



## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Statement of Cash Flows

## Proprietary Fund

Year ended June 30, 2005

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	172,976
Cash payments to employees for services	(161,430)
Cash payments to suppliers for goods or services	(172,803)
Net cash (used in) operating activities	<u>(161,257)</u>
Cash flows from non-capital financing activities:	
State grants received	6,964
Federal grants received	189,677
Net cash provided by non-capital financing activities	<u>196,641</u>
Cash flows from capital financing activities	
Acquisition of capital assets	(983)
Cash flows from investing activities:	
Interest on investments	<u>763</u>
Net increase in cash and cash equivalents	35,164
Cash and cash equivalents beginning of year	<u>63,622</u>
Cash and cash equivalents end of year	<u><u>98,786</u></u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>	
Operating (loss)	(205,028)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	3,511
Commodities used	33,259
Decrease in inventory	7,001
	<u>(161,257)</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	<u><u>98,786</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2005, the District received federal commodities valued at \$33,259.

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Statement of Fiduciary Net Assets

## Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trusts	Agency Funds
	\$	\$
<b>Assets</b>		
Cash and pooled investments	277,901	2,117
<b>Liabilities</b>		
Other payables	-	2,117
<b>Net Assets</b>		
Reserved for special purposes	277,901	-

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Statement of Changes in Fiduciary Net Assets

## Fiduciary Funds

Year ended June 30, 2005

	Private Purpose <u>Trusts</u> \$
Additions:	
Local sources:	
Contributions	910
Interest on investments	<u>6,270</u>
Total additions	<u>7,180</u>
Deductions:	
Instruction:	
Other	<u>12,410</u>
Total deductions	<u>12,410</u>
Change in net assets	(5,230)
Net assets beginning of year	<u>283,131</u>
Net assets end of year	<u><u>277,901</u></u>

See notes to financial statements.

# HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2005

### (1) Summary of Significant Accounting Policies

Hampton-Dumont Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Hampton and Dumont, Iowa, and agricultural territory in Franklin and Butler Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Hampton-Dumont Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Hampton-Dumont Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Franklin and Butler Counties Assessor's Conference Boards.

#### B. Basis of Presentation

Government-wide financial statements - The statements of net assets and the statement of activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operation fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus". The Government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Property, furniture and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the Government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2005.

Long-term obligations - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, expenditures did not exceed the amounts budgeted in any of the four functions.

## (2) Cash and Pooled Investments

The District's deposits at June 30, 2005 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$7,742,974</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk - The investments in the Iowa School Joint Investment Trust were both rated Aaa by Moody's Investors Service.

## (3) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	<u>97,100</u>	<u>-</u>	<u>800</u>	<u>96,300</u>
Capital assets being depreciated:				
Buildings	3,485,916	2,772,391	111,094	6,147,213
Furniture and Equipment	1,222,411	71,715	35,600	1,258,526
Construction in progress	<u>1,912,107</u>	<u>-</u>	<u>1,912,107</u>	<u>-</u>
Total capital assets being depreciated	<u>6,620,434</u>	<u>2,844,106</u>	<u>2,058,801</u>	<u>7,405,739</u>
Less accumulated depreciation for:				
Buildings	2,069,160	131,983	111,094	2,090,049
Furniture and Equipment	<u>762,547</u>	<u>64,437</u>	<u>35,600</u>	<u>791,384</u>
Total accumulated depreciation	<u>2,831,707</u>	<u>196,420</u>	<u>146,694</u>	<u>2,881,433</u>
Total capital assets being depreciated, net	<u>3,788,727</u>	<u>2,647,686</u>	<u>1,912,107</u>	<u>4,524,306</u>
Governmental activities, capital assets, net	<u>3,885,827</u>	<u>2,647,686</u>	<u>1,912,907</u>	<u>4,620,606</u>



	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	41,718	983	-	42,701
Less accumulated depreciation	<u>22,380</u>	<u>3,511</u>	-	<u>25,891</u>
Business type activities capital assets, net	<u>19,338</u>	<u>(2,528)</u>	-	<u>16,810</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Transportation

Unallocated

55,725  
140,695  
196,420

Business Type activities:

Food service operations

3,511

#### (4) Contract Payable

During the fiscal year ended June 30, 1997, the District purchased a parcel of land, on a 7% contract. Payment terms are as follows;

Year Ending June 30,	Principal	Interest	Total
2006	\$ 876	124	1,000
2007	<u>891</u>	<u>62</u>	<u>953</u>
Total	<u>\$1,767</u>	<u>186</u>	<u>1,953</u>

#### (5) Capital Loan Notes Payable

During the year ended June 30, 1998, the District issued \$1,075,000 of Capital Loan Notes. The payments will be made from the proceeds of the Special Revenue, Physical Plant and Equipment Fund. Payment terms are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$125,000	12,050	137,050
2007	<u>130,000</u>	<u>6,175</u>	<u>136,175</u>
Total	<u>\$255,000</u>	<u>18,225</u>	<u>273,225</u>

**(6) Changes in Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2005 is as follows:

	General Obligation Bond	Revenue Bonds	Contract Payable	Capital Loan Notes Payable	Early Retirement Payable	Total
Balance beginning of year	\$ -	2,050,000	2,586	375,000	84,343	2,511,929
Additions	7,950,000	-	-	-	37,471	7,987,471
Reductions	-	-	819	120,000	68,431	189,250
Balance end of year	<u>\$7,950,000</u>	<u>2,050,000</u>	<u>1,767</u>	<u>255,000</u>	<u>53,383</u>	<u>10,310,150</u>

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$328,162, \$331,084, and \$325,180 respectively, equal to the required contributions for each year.

**(8) Risk Management**

Hampton-Dumont Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance, except as described in the following paragraph. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District is currently self-funding its health care plan. Commercial insurance has been purchased to cover excess losses both for specific individuals and as an aggregate group. An independent actuarial opinion obtained by the District indicates that statutory requirements have been met, however, it was recommended that the District increase the funding level and/or transfer funds in order to eliminate the deficit and remain in compliance with Iowa law.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$350,987 for year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Early Retirement Payable**

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which must be approved by the Board of Education. The early retirement incentive for each eligible employee is based on a sliding percentage of per diem pay rate at time of retirement. Early retirement benefits paid during the year ended June 30, 2005, totaled \$68,431. A long-term liability has been recorded on the Balance Sheet (Exhibit A) representing the District's commitment to fund early retirement.

**(11) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2004-05A	6/30/04	6/30/05	\$ -	-	-	-
2004-05B	1/28/05	1/27/06	501,445	6,705	500,000	35,058
2005-06A	6/30/05	6/30/06	<u>1,851,164</u>	<u>396</u>	<u>1,843,000</u>	<u>353</u>
Total			<u>\$2,352,609</u>	<u>7,101</u>	<u>2,343,000</u>	<u>35,411</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2004-05A	-	2,450,000	2,450,000	-
2004-05B	-	-	-	-
Total	-	<u>2,450,000</u>	<u>2,450,000</u>	-

The warrants bear an interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2004-05A	3.000%	2.463%
2004-05B	3.500	2.280
2005-06A	3.500	2.903

**(12) Interfund Transfers**

The detail of Interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 42,450
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>137,690</u>
Total		<u>\$180,140</u>

**(13) Commitments**

The voters of the District approved a \$7,950,000 bond issue for the purpose of constructing a new middle school facility. On August 4, 2005 a bid for \$7,621,705 was awarded to Henkel Construction as general contractor.

## Required Supplementary Information

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues						
Local sources	5,405,287	173,739	5,579,026	4,666,272	4,666,272	912,754
State sources	5,190,228	6,964	5,197,192	5,331,035	5,331,035	(133,843)
Federal sources	281,425	222,936	504,361	740,000	740,000	(235,639)
Total revenues	<u>10,876,940</u>	<u>403,639</u>	<u>11,280,579</u>	<u>10,737,307</u>	<u>10,737,307</u>	<u>543,272</u>
Expenditures						
Instruction	5,911,398	-	5,911,398	6,336,000	6,336,000	424,602
Support services	2,709,156	-	2,709,156	2,713,000	2,713,000	3,844
Non-instructional programs	-	378,004	378,004	450,000	450,000	71,996
Other expenditures	2,372,394	-	2,372,394	1,976,354	2,645,000	272,606
Total expenditures	<u>10,992,948</u>	<u>378,004</u>	<u>11,370,952</u>	<u>11,475,354</u>	<u>12,144,000</u>	<u>773,048</u>
Excess (deficiency) of revenues over (under) expenditures	(116,008)	25,635	(90,373)	(738,047)	(1,406,693)	1,316,320
Other financing sources (uses)	<u>7,950,000</u>	<u>-</u>	<u>7,950,000</u>	<u>-</u>	<u>-</u>	<u>7,950,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	7,833,992	25,635	7,859,627	(738,047)	(1,406,693)	9,266,320
Balance beginning of year	<u>1,030,614</u>	<u>104,568</u>	<u>1,135,182</u>	<u>1,806,290</u>	<u>1,806,290</u>	<u>(671,108)</u>
Balance end of year	<u><u>8,864,606</u></u>	<u><u>130,203</u></u>	<u><u>8,994,809</u></u>	<u><u>1,068,243</u></u>	<u><u>399,597</u></u>	<u><u>8,595,212</u></u>

See accompanying independent auditor's report.

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$877,646.

During the year ended June 30, 2005, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

## Other Supplementary Information

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Combining Balance Sheet

## Non-major Special Revenue Funds

June 30, 2005

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	42,630	64,033	95,628	202,291
Property tax receivable:				
Current year	1,755	-	3,387	5,142
Succeeding year	165,000	-	256,134	421,134
Other receivables	-	434	-	434
<b>Total assets</b>	<u>209,385</u>	<u>64,467</u>	<u>355,149</u>	<u>629,001</u>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	2,694	4,412	25,674	32,780
Deferred revenue:				
Succeeding year property tax	<u>165,000</u>	<u>-</u>	<u>256,134</u>	<u>421,134</u>
Total liabilities	167,694	4,412	281,808	453,914
Fund equity:				
Unreserved fund balance	<u>41,691</u>	<u>60,055</u>	<u>73,341</u>	<u>175,087</u>
<b>Total liabilities and fund equity</b>	<u>209,385</u>	<u>64,467</u>	<u>355,149</u>	<u>629,001</u>

See accompanying independent auditor's report.



## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances

## Non-major Special Revenue Funds

Year ended June 30, 2005

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	128,040	-	255,730	383,770
Other	1,538	280,057	470,362	751,957
Total revenues	129,578	280,057	726,092	1,135,727
Expenditures:				
Instruction:				
Regular instruction	66,417	-	-	66,417
Co-curricular instruction	-	273,358	-	273,358
Support services:				
Plant operation and maintenance	110,938	-	-	110,938
Student transportation	-	-	61,254	61,254
Other expenditures:				
Facilities acquisition and construction	-	-	666,751	666,751
Total expenditures	177,355	273,358	728,005	1,178,718
Excess (Deficiency) of revenues over (under) expenditures	(47,777)	6,699	(1,913)	(42,991)
Other financing (uses):				
Operating transfers (out)	-	-	(137,690)	(137,690)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(47,777)	6,699	(139,603)	(180,681)
Fund balances beginning of year	89,468	53,356	212,944	355,768
Balance end of year	41,691	60,055	73,341	175,087

See accompanying independent auditor's report.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Key Club	-	-	34	(34)
Art Club	(1,839)	4,253	-	2,414
Quiz Bowl	241	-	-	241
Video Productions	1,360	190	-	1,550
Cheerleading	1,354	1,393	1,046	1,701
DECA	1,335	4,105	3,644	1,796
Drama	3,082	-	-	3,082
FBL	513	948	1,342	119
FCA	696	-	-	696
FCCLA	556	468	447	577
FFA	4,963	41,648	37,774	8,837
French Club	900	4,308	814	4,394
Future Teachers	1,401	483	886	998
International Club	191	253	442	2
Mock Trial	283	478	357	404
Model UN	288	-	-	288
SADD	1,304	484	82	1,706
Student Council	1,500	3,274	3,060	1,714
Drill Team	162	8,534	3,602	5,094
JAG Club	604	1,168	1,408	364
Bark	1,000	415	1,433	(18)
Dramatics - Plays & Musicals	2,099	2,537	2,492	2,144
Music - Instrumental	(3,278)	3,983	5,755	(5,050)
Music - Vocal	(1,105)	951	1,205	(1,359)
Speech	(153)	478	376	(51)
Publications	1,327	8,800	13,589	(3,462)
Special Instrumental Fund	11,035	915	1,209	10,741
Special Vocal Fund	2,044	1,351	198	3,197
Special Instrumental - Uniforms	211	494	-	705
Special Vocal - Uniforms	(134)	70	210	(274)
Class of 2005	1,919	4,270	5,738	451
Class of 2006	5,471	1,011	3,137	3,345
Class of 2007	4,473	-	20	4,453
Class of 2008	-	7,531	4,462	3,069
Class of 2004	1,719	-	1,719	-
Activity Fund Change	-	44,403	44,403	-
Cross Country	64	24	931	(843)
Basketball - Boys	3,332	14,887	16,527	1,692
Football	4,234	13,931	15,896	2,269
Baseball	(8,476)	5,120	-	(3,356)
Track - Boys	(137)	3,867	4,286	(556)
Golf - Boys	(262)	863	1,538	(937)
Wrestling	(970)	12,986	13,401	(1,385)

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Basketball - Girls	1,357	15,663	13,547	3,473
Volleyball	(1,016)	3,128	4,835	(2,723)
Swimming	(152)	152	-	-
Softball	(5,523)	2,027	-	(3,496)
Track - Girls	(910)	6,324	4,205	1,209
Golf - Girls	(543)	363	849	(1,029)
Activity Tickets	23,780	33,350	42,760	14,370
Student Pay Phone	(476)	158	-	(318)
Miscellaneous Activities	226	14,838	13,699	1,365
Student Activity Pop Commission	269	-	-	269
Jazz Band Club	120	75	-	195
June 30, 2005 Accruals	(7,083)	3,105	-	(3,978)
Total	<u>53,356</u>	<u>280,057</u>	<u>273,358</u>	<u>60,055</u>

See accompanying independent auditor's report.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

## Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2005

	Bess Robinson Scholarship	Hampton Quarterback Club	Varrelman Memorial Fund	Arndorfer Memorial	Barton Hoxie Robinson Scholarship	Robert Davies Scholarship	Dale Hayes Memorial Golf	Maribel Kratochvil Memorial	Ann J. Robinson Scholarship
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Contributions	-	-	-	60	-	-	-	-	-
Interest on investments	1,074	98	102	40	1,103	146	42	436	241
	<u>1,074</u>	<u>98</u>	<u>102</u>	<u>100</u>	<u>1,103</u>	<u>146</u>	<u>42</u>	<u>436</u>	<u>241</u>
Expenditures:									
Instruction:									
Regular instruction:									
Other	1,500	-	350	260	1,000	600	100	600	500
	<u>1,500</u>	<u>-</u>	<u>350</u>	<u>260</u>	<u>1,000</u>	<u>600</u>	<u>100</u>	<u>600</u>	<u>500</u>
Excess (deficiency) of revenues over (under) expenditures	(426)	98	(248)	(160)	103	(454)	(58)	(164)	(259)
Balance beginning of year	52,440	5,296	4,806	2,849	52,457	7,080	1,840	9,049	13,314
Balance end of year	<u>52,014</u>	<u>5,394</u>	<u>4,558</u>	<u>2,689</u>	<u>52,560</u>	<u>6,626</u>	<u>1,782</u>	<u>8,885</u>	<u>13,055</u>

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2005

	Lucretia V. Rowen Scholarship	Saylor Memorial Business	Dan Voy Memorial Scholarship	Peterson Trust	Captain Roy R. Marken Scholarship	Students in Need	Special Education Needs	Red Ribbon	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Contributions	-	800	50	-	-	-	-	-	910
Interest on investments	200	237	23	738	1,607	-	183	-	6,270
	<u>200</u>	<u>1,037</u>	<u>73</u>	<u>738</u>	<u>1,607</u>	<u>-</u>	<u>183</u>	<u>-</u>	<u>7,180</u>
Expenditures:									
Instruction:									
Regular instruction:									
Other	500	2,000	200	3,000	1,800	-	-	-	12,410
	<u>500</u>	<u>2,000</u>	<u>200</u>	<u>3,000</u>	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,410</u>
Excess (deficiency) of revenues over (under) expenditures	(300)	(963)	(127)	(2,262)	(193)	-	183	-	(5,230)
Balance beginning of year	<u>11,019</u>	<u>13,095</u>	<u>2,182</u>	<u>32,766</u>	<u>70,919</u>	<u>164</u>	<u>3,819</u>	<u>36</u>	<u>283,131</u>
Balance end of year	<u>10,719</u>	<u>12,132</u>	<u>2,055</u>	<u>30,504</u>	<u>70,726</u>	<u>164</u>	<u>4,002</u>	<u>36</u>	<u>277,901</u>

See accompanying independent auditor's report.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2005	2004	2003	2002
	\$	\$	\$	\$
Local sources:				
Local tax:				
Property tax	3,419,054	3,372,317	3,084,409	2,953,671
Mobile home tax	280	511	3,498	631
Local option sales tax	643,117	107,143	-	-
Income surtax	69,748	67,195	67,480	68,293
	<u>4,132,199</u>	<u>3,547,166</u>	<u>3,155,387</u>	<u>3,022,595</u>
State sources:				
State foundation aid	4,465,692	4,164,300	4,194,953	3,885,983
School improvement and technology	-	-	-	24,853
AEA flow through	350,987	355,601	364,755	355,601
Instructional support	15,451	12,158	15,676	15,692
Educational excellence program:				
Phase I	44,186	54,609	44,186	44,186
Phase II	97,851	100,009	100,774	99,347
Phase III	-	-	25,236	56,772
Non-public transportation aid	1,554	-	2,418	2,471
At risk program	16,737	18,450	18,830	28,272
Vocational education aid	-	6,526	9,482	10,016
Iowa Early Intervention Block Grant	76,473	85,320	84,700	79,845
Revenue in lieu of taxes - military credit	-	1,964	-	2,499
Teacher mentoring program	11,700	6,500	10,400	2,600
Evaluator training	-	-	1,000	-
Teacher quality/salary improvement	103,947	128,543	83,809	79,150
Other state aid	5,650	-	-	-
Lunch and breakfast programs	6,964	7,024	7,130	7,355
	<u>5,197,192</u>	<u>4,941,004</u>	<u>4,963,349</u>	<u>4,694,642</u>
Federal sources:				
Title I Grants to Local Educational Agencies	172,993	124,631	219,861	183,896
Class Size Reduction	-	-	-	28,153
Star Schools	-	-	-	-
Safe and Drug Free Schools	5,721	3,175	-	4,196
Improving Teacher Quality - Grants to States	50,081	-	46,579	-
Grants for Assessments and Related Activities	7,542	-	-	-
Innovative Education Program Strategies	8,675	-	6,285	8,650
Even Start - Statewide Family Literacy Program	-	-	2,152	11,705
Migrant Education - Basic State Grant Program	5,237	15,320	-	-
Iowa Demonstration Construction Grant	-	866,471	-	-
Special Education - Grants to States				
IDEA Part B	31,176	48,647	30,676	15,596
National School Lunch, Breakfast and				
Special Milk Programs	189,677	169,275	158,679	156,819
Food Distribution	33,259	25,125	35,125	33,045
	<u>504,361</u>	<u>1,252,644</u>	<u>499,357</u>	<u>442,060</u>
Total	<u>9,833,752</u>	<u>9,740,814</u>	<u>8,618,093</u>	<u>8,159,297</u>

See accompanying independent auditor's report.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY05	<u>33,259</u>
 School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY05	158,720
National School Lunch Program	10.555	FY05	<u>30,957</u>
			<u>189,677</u>
 U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	2781-G-05	154,486
Migrant Education - Basic State Grant Program	84.011	2781-M-05	21,059
Improving Teacher Quality - Grants to States	84.348	FY05	37,112
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY05	6,913
Grants for Assessments and Related Activities	84.369	FY05	7,542
Innovative Educational Program Strategies	84.298	FY05	6,400
Area Education Agency 267:			
Special Education - Grants to States (IDEA Part B)	84.027	FY05	<u>60,959</u>
 Total			<u><u>517,407</u></u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Hampton-Dumont Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Board of Education of the  
Hampton-Dumont Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Hampton-Dumont Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 13, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hampton-Dumont Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 05-II-A is a material weakness.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hampton-Dumont Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hampton-Dumont Community School District and other parties to whom Hampton-Dumont Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hampton-Dumont Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

**BRUCE D. FRINK**  
**Certified Public Accountant**

January 13, 2006

**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control  
over Compliance in Accordance with OMB Circular A-133**

To the Board of Education of the  
Hampton-Dumont Community School District:

Compliance

We have audited the compliance of Hampton-Dumont Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Hampton-Dumont Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Hampton-Dumont Community School District's management. Our responsibility is to express an opinion on Hampton-Dumont Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hampton-Dumont Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hampton-Dumont Community School District's compliance with those requirements.

In our opinion Hampton-Dumont Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Hampton-Dumont Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Hampton-Dumont Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Hampton-Dumont Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item 05-III-A of the accompanying Schedule of Findings and Questions Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item 05-III-A is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hampton-Dumont Community School District and other parties to whom Hampton-Dumont Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

**BRUCE D. FRINK**  
**Certified Public Accountant**

January 13, 2006

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.027 - Special Education - Grants to States
  - CFDA Number 10.550 - Food DistributionSchool Nutrition Clustered Programs:
  - CFDA Number 10.555 - National School Lunch Program
  - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Hampton-Dumont Community School District did not qualify as a low-risk auditee.

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

05-II-A      SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

**Part III: Findings For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

CFDA Number: 84.027 Special Education - Grants to States

Federal Award Year: 2005

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program

10.555 National School Lunch Program

Federal Award Year: 2005

US Department of Agriculture

Passed through Iowa Department of Education

CFDA Number: 10.550 Food Distribution

Federal Award Year: 2005

US Department of Agriculture

Passed through Iowa Department of Education

05-III-A Segregation of Duties over Federal Funds - One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

**Part IV: Other Findings Related to Required Statutory Reporting:**

- 04-IV-A      Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- 05-IV-B      Certified Budget - Expenditures for the year ended June 30, 2005, did not exceed the amounts budgeted.
- 05-IV-C      Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 05-IV-D      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 05-IV-E      Business Transactions - No business transactions between the District and District officials or employees were noted.
- 05-IV-F      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 05-IV-G      Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 05-IV-H      Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 05-IV-I      Certified Annual Report - The Certified Annual Report was filed late with the Department of Education we noted no significant deficiencies in the amounts reported.
- Recommendation - We recommend that future reports be filed in a timely manner.
- Response - We will comply with this recommendation.
- Conclusion - Response accepted.
- 05-IV-J      Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.